FORM MR-RC (SMO)
Revised August 9, 2006
RECLAMATION CONTRACT

Mine Name: Mill Creek Burnt Shale

Other Agency File Number: UTU 080877

STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES DIVISION of OIL, GAS and MINING

1594 West North Temple, Suite 1210 Box 145801 Salt Lake City, Utah 84114-5801 (801) 538-5291 Fax: (801) 359-3940

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SMALL MINE RECLAMATION CONTRACT

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between **Skutumpah Enterprises LLC** the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. <u>S/025/028</u> which the Operator has filed with the Division and has been determined by the Division to be complete (Complete NOI) as required by the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (2005, as amended) (hereinafter referred to as "Act") and the regulations adopted pursuant to the Act; and

WHEREAS, Operator is obligated to reclaim the lands affected by the mining operations in accordance with the Act and the regulations, and is obligated to provide a surety in a form and amount approved by the Division or the Board of Oil, Gas and Mining (Board) to assure reclamation of the lands affected by the mining operations.

NOW, THEREFORE, the Division and the Operator agree as follows:

- Operator agrees to promptly reclaim in accordance with the requirements of the Act and applicable regulations, as they may be amended, all of the lands affected by the mining operations conducted or to be conducted pursuant to a Complete Notice of Intention.
- 2. The Lands Affected by the mining operations and subject to the requirements of the Act and this Contract include:
 - A. All surface and subsurface areas affected or to be affected by the mining operations including but not limited to private onsite ways, roads, railroads; land excavations; drill sites and

- workings; refuse banks or spoil piles; evaporation or settling ponds; stockpiles; leaching dumps; placer areas; tailings ponds or dumps; work, parking, storage, and waste discharge areas, structures, and facilities; and
- B. All mining disturbances regardless of discrepancies in the map and legal description, unless explicitly and clearly identified as EXCLUDED on maps, and legal descriptions included in the Complete NOI; provided lands may be excluded only if: (1) they were disturbed by mining operations that ceased prior to July 1, 1977; (2) the lands would be included but have been reclaimed in accordance with a complete notice or reclamation plan; or (3) the lands were disturbed by a prior operation for which there is no surety, no legally responsible entity or person, and which lands are not necessarily or incidentally intended to be affected by the mining operations as described in the Complete NOI.
- 3. The Operator shall be responsible for reclamation of all such Lands Affected regardless of errors or discrepancies in the maps or legal descriptions provided with the NOI which are intended to assist in determining the location of the mining operations, to describe the areas of disturbance, and to assist estimating the amount of surety required.
- 4. The Operator prior to commencement of any mining operations and as a precondition to the rights under the Notice of Intention shall provide a surety in a form permitted by the Act and in an amount sufficient to assure that reclamation of the Lands Affected will be completed as required by the Act. The Surety shall remain in full force and effect according to its terms unless modified by the Division in writing. A copy of the agreement providing for the Surety for the reclamation obligations herein is included as ATTACHMENT A to this Contract.
- If the Surety expressly provides for cancellation or termination for nonrenewal:
 - A: The Operator shall within 60 days following the Division's receipt of notice that the Surety will be terminated or cancelled, provide a replacement Surety sufficient in a form and amount, as required by the Act, to replace the cancelled surety; or
 - B. If the Operator fails to provide an acceptable replacement Surety within 60 days of notice of cancellation or termination, the Division may order the Operator to cease further mining activities, and without further notice proceed to draw upon letters of credit, to withdraw any amounts in certificates of deposit or cash and/or any other forms of surety, and to otherwise take such action as may be necessary to secure the rights of the Division to perfect its claim on the existing surety

for the purpose of fully satisfying all of the reclamation obligations incurred by the Operator prior to the date of termination, and the Division may thereafter require the Operator to begin immediate reclamation of the Lands Affected by the mining operations, and may, if necessary, proceed to take such further actions as may be required for the Division to forfeit the surety for the purpose of reclaiming the Lands Affected.

- 6. The Operator's liability under this Contract shall continue in full force and effect until the Division finds that the Operator has reclaimed the Lands Affected by mining operations in accordance with the Act and regulations, as amended. If the mining operations are modified or for any other reason vary from those described in the Complete Notice of Intention, the Operator shall immediately advise the Division, and the Notice of Intention shall be revised and the Surety amount shall be adjusted as necessary.
- 7. If reclamation of a substantial phase or segment of the Lands Affected by the mining operations is completed to the satisfaction of the Division, and the Division finds that such substantial phases or segments are severable from the remainder of the mining area, Operator may request the Division to find that Operator has reclaimed such area. If the Division makes such finding, Operator may make request to the Division for a reduction in the aggregate face amount of the Surety, and the Division may reduce the surety to an amount necessary to complete reclamation of the remaining mining operations as anticipated by the Complete Notice of Intention in accordance with the requirements of the Act and regulations, as amended.
- 8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the applicable rules.
- 9. Operator agrees to pay all legally determined public liability and property damage claims resulting from mining operations, to pay all permit fees, to maintain suitable records, to file all required reports, to permit reasonable inspections, and to fulfill all sundry reporting requirements applicable to the mine as required by the Act and implementing rules.
- 10. Operator agrees to indemnify and hold harmless the State, Board, and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
- 11. If Operator shall default in the performance of its obligations hereunder, Operator shall be liable for all damages resulting from the breach hereof including all costs, expenses, and reasonable attorney's fees incurred by the Division and/or the Board in the enforcement of this Contract.

- 12. Any breach of a material provision of this Contract by Operator may, at the discretion of the Division, in addition to other remedies available to it, result in an order by the Division requiring the Operator to cease mining operations, and may thereafter result in an Order, subject to an opportunity for notice and hearing before the Board, withdrawing and revoking the Notice of Intention, and requiring immediate reclamation by the Operator of the Lands Affected or forfeiture of the Surety.
- 13. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount that is required to comply with this Contract. Upon completion of the reclamation of all of the Lands Affected, any excess monies resulting from forfeiture of the Surety shall be returned to the rightful claimant.
- 14. The Operator shall notify the Division immediately of any changes in the Operator's registered agent, the Operator's address, form of business, name of business, significant changes in ownership, and other pertinent changes in the information required as part of the Notice of Intention. Notwithstanding this requirement, any changes to the Notice of Intention, and any errors, omissions, or failures to fully or accurately complete or update the information on the Notice of Intention, or the attached maps, shall not affect the validity of this Contract and the rights of the Division to enforce its terms.
- 15. If requested by the Division, the Operator shall execute addendums to this Contract to add or substitute parties, or to reflect changes in the Operator, Surety, and otherwise modify the Contract to reflect changes in the mining operations as requested by the Division. All modifications must be in writing and signed by the parties, and no verbal agreements, or modifications in any of the terms or conditions shall be enforceable.
- This Contract shall be governed and construed in accordance with the laws
 of the State of Utah.

The signatory below represents that the Operator, if not a natural person, is a properly organized entity in good standing under the laws of Utah and the United States, is registered as an entity authorized to do business in the State of Utah, and that he/she is authorized to execute this Contract on behalf of the entity as Operator.

OI LIVITOR.	
SKUTUMPAH & ENTERPRISE	S LLC.
Operator Name	
BY BRENT ROBINSON	
Authorized Officer (Typed or Printed)	
Authorized Officer - Position	
BIRbin	129.08.
Officer's Signature	Date
STATE OF UTAL)
COUNTY OF Fave) ss:	
On theday of	ner, officer, director, partner, agent may be for prior partner, agent duly on behalf of said Operator by dof directors or as may otherwise
Notary Public Residing at Hannel VT	AMBER JUDD NOTARY PUBLIC-STATE OF UTAH 917 WEST WILLOW KANAB, UTAH 84741 COMM. EXP. 07-29-2010
My Commission Expires:	

OPERATOR:

By John R. Baza, Director

STATE OF Utah

STATE OF Salt Lake

On the 12 day of February, 2009, John R. Baza

personally appeared before me, who being duly sworn did say that he, the said is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he duly acknowledged to me that he executed the foregoing document by authority of law on behalf of the State of Utah.

Notary Public Residing at:

Notary Public Residing at:

Notary Penny Berry

Notary Public Residing at:

Notary Public Residing at:

Notary Penny Berry

DIVISION OF OIL, GAS AND MINING:

FACT SHEET

Mine Name: Millcreek Burnt Shale
Permit Number: S/025/028
County: Kane
Disturbed Acres: 5 (five)
Operator Name: Skutumpah Enterprises LLC
Operator address: 108 S 300 E KANAB UT 84741
Operator telephone: (435) 644-8176
Operator fax: (435) 644-2252
Operator email: skutumpah1@hotmail.com
Contact: Brent Robinson
Surety Type: LOC
Held by (Bank/BLM): BIM
Surety Amount: \$27,000 ₩ 25,000 PB
Surety Account Number:
Escalation Year: 2011
Tax ID or Social Security (for cash only):
Surface owner: BLM
Mineral owner: BLM
UTU and/or ML number: UTU 080877

Commodity: Burnt Shale



Letter of Credit No

Issue Date: 6-23-08

Issuing Bank: State Bank of Southern Utah

98 West Center Street, Ranab, UT 84741 Phone: 435-6445828, Fax: 435-644-5884

Email: kblomquirt@sbsu.com

Beneficiary:

Bureau of Land Management (BLM)

Kanab Field Office 318 North 100 East Kanab, Utah 84741

For itself and as agent for:

State of Utal

Utah Division of Oil, Gas and Mining (DOGM)

1594 West North Temple Suite 1210

Box 145801

Salt Lake City, Utah 84114-5801

Re: For reclamation and performance of the Mill Creek Burnt Shale Mining Operation, UTU-080877, S/025/0028

Gentlemen and Ladies:

1. State Bank of Southern Utah, of Kanab, Utah, hereby establishes this irrevocable letter of credit ("Letter of Credit") in favor of the BLM Kanab Field Office ("BLM") for itself and as agent for the Utah DOGM ("Division") for an aggregate amount not to exceed \$25,000,00 in United States dollars ("Face Amount") effective immediately; on behalf of Brent Robinson ("Operator") for reclamation and performance of the Mill Creek Burnt Shale Mining Operation under BLM No. UTU-080877, and DOGM

2. This Letter of Credit issued on 6-23-08 will be automatically extended for successive periods of one year from the current or any future issuance date unless 90 days prior to the issuance date of the following year, the Bank sends notice to the BLM and Division by any courier service or by registered United States mail 'return receipt requested' that the Bank elects NOT to extend the Letter of Credit.

3. Funds under the Letter of Credit are available against the BLM and Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No. denvered to the office of the Bank, 98 West Center Street, Kanab, UT. At the BLM or Division's sole election; they may present sight drafts for less than the Face Amount so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the BLM and the Division.

4. If the Bank receives the sight draft(s) and certificate(s) as provided in Paragraph No. 3 above on or before the termination of this Letter of Credit, the Bank will make such amount as the BLM and Division may specify, within the limits of the second sentence of Paragraph No. 3 of this Letter of Credit, available to the BLM or Division no later than the close of business, Salt Lake City time, on the second business day following the Bank's receipt of the sight draft and certificate and in such a manner as the Division may specify. "Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in the State of Utah are authorized or required by law to close

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5. The Bank will give prompt notice to the Operator, the BLM Field Office Manager and Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Bank, or alleging any violations of regulatory requirements, which could result in suspension or revocation of the Bank's charter or license to do business.

6. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1993 revision, international Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between Utah law and the UCP, Utah law shall govern.

7. All communications regarding this Letter of Credit will be addressed to the Bank 98 West Center Street, Kanab, UT, 435-644-5828, referencing Letter of Credit No.

8. In the event the Bank gives notice to the BLM and Division that the expiration date of the Letter of Credit will not be extended, the BLM and Division may, until the current expiration date of the Letter of Credit, draw under the Letter of Credit against its sight draft(s) in accordance with the provisions of Paragraph 4.

Very truly yours,

State Bank of Southern Utah Kevin C. Blomquist Loan Officer

(Authorized Signature)

EXHIBIT A - SIGHT DRAFT to Letter of Credit Number

Date	City, County	Letter of Credit No
PAY TO THE ORDER OF: B	resu of Land Management or Utah D	Pivision of Oil, Gas and Mining
-		DOLLARS
State Bank of Southern 98 West Center Street Kanab, UT 84741	Unah	
Sureau of Land Management (B)	The Count D	ivision of Dil, Gas and Mining
18 North 100 East anab, Utah 84741	1594 W Box 14	est North Temple, Suite 1210
ly:	By:	E HEDRICETAN

EXHIBIT B

to Latter of Credit Number

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Management, bereby certify that	(1) the drawing in the amount of \$	tive of the Bureau of Land
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UTU-040877/DOGM Permit No.	of exceed the Face Amount, and (4) the amount oduction of the Mill Creek Burnt Shale Mining S/025/0028 in accordance with applicable law.	Operation, BLM Case File No.
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Gas and Mining hearby could a	a duly authorized representati	ive of the Utah Division of Oil,
accompanying this perifferen	A - are extroporate OT 2	According to the second
accompanying this certificate, unc	ter Letter of Credit No. dates the provision of the Letter of Credit, (2) the Letter b) the amount of the sight draft, together with	by sight draft
terminated revenues to	he provision of the Letter of Credit. (2) the Letter	of Coulob and
under the I start of Co its terms, (be provision of the Letter of Credit, (2) the Letter of the amount of the sight draft, together with an exceed the Face Amount, and (4) the amount	or credit has neither expired no
THE PERSON NAMED IN COLUMN TWO IS NOT THE PARTY OF THE PA	THE PARTY OF THE P	o be drawn is necessary to assure
No. S/025/0028 in accordance with	h applicable law	o. UTU-080877/DOGM Permit
SPACIAL MANAGEMENT IN	Transmit Mark	
By:		
Authorized Signature	By:	
Bureau of Land Management	Authorized Signatur	
- Consideration	Utah Division of on	Gerand No. 1
Date		Cas and Minns
	Date	
	L'AIL	

AFFIDAVIT OF QUALIFICATION OF BANK

and duly acknowledged that said instraction of its bylaws or a resolution of its boaduly acknowledged to me that said coauthorized to execute and deliver the	being by me duly sworn did say that he/she, the said is the Assistant Vive President of nument was signed on behalf of said company by authority and of directors and said Kevin Blomquist impany executed the same, and that he/she is duly foregoing obligations; and that he/she as such officer, he free act and deed of said bank for the uses and purposes
	m n -
	Signed
	Title ASSISTAT VICE PRISEOUT
STATE OF Utah	
	46
Subscribed and sworn to before me this	15th day of January 20 09.
My Commission Expires:	Notary Public Residing at: Kanab Utah
May 20 20 12	SHANNON ALLEN MODRIFICATION STATE OF ST